# OUR NEW SOCIAL SECURITY PROGRAM*

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As a result of the amendments of 1972 there have been sweeping and important changes in Social Security benefits—sufficiently sweeping and important that it seems to me quite proper to refer to our system today as the new Social Security program. The principles are the same as in the past, but the cash-benefit program is greatly improved, with automatic provisions that will keep those improvements up to date in the future.

The basic concept is the same: that is, the fundamental idea of contributory wage-related social insurance characteristic of the major industrial countries of the world is not only retained but greatly strengthened. The functional concept, of course, is that while people are working they pay a small portion of their earnings into a fund and their employer matches the amounts they pay. Then, when their earnings stop or are greatly reduced because of retirement, total disability, or the death of a breadwinner in the family, benefits to partly make up for the loss of the earned income are paid through these funds to the insured worker or, in the case of death, to the family.

For some time now, our national system of social insurance has been nearly universal in coverage. Almost 100 million people will contribute to the program this year. More than nine of 10 of the people becoming 65 this year will be protected by the program; nine of 10 mothers and children in the country are protected in the event of the death of the father; 64 million insured workers have protection against the risk of becoming totally disabled; 29 million persons—one of every seven Americans—get a Social Security check every month.

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In recent years, then, the problem in the area of cash benefits has not been the effectiveness of coverage—almost everyone is under the program—but rather the adequacy of the benefits. The program has just taken a long step toward adequacy. We now have a system of contributory social insurance—what Arthur Larson happily has called *income* insurance—that is, insurance against the loss of earned income, just as other insurance is for the loss of a house or car, that will go a long way through the years toward abolishing poverty among older people, widows, orphans, and the disabled. And, equally important, the program provides a reasonably adequate base on which workers can build protection which goes significantly beyond the poverty level.

Look at what has happened. In the last five years benefits have been increased more than 70%, 20% of this in the legislation of 1972. Older widows, whose benefits on the average have been lower than those of any other beneficiary group, have received still higher increases. Many other changes in the cash-benefit program will also affect benefit levels in the future; benefits for men will be computed on the more favorable basis that has been true in the past for women. Higher benefits will be available for persons who work past 65; a regular minimum benefit for the low-paid but regular worker under the program will guarantee him at least $170 per month; and a variety of improvements applying to relatively small numbers of persons will add up to a more equitable, better program.

By far the most important parts of the new Social Security program for cash benefits are the automatic features in the new law. First, the program has been made inflation-proof for older people receiving benefits. For those who are still contributing, the automatic-benefit provisions provide for improvements that are greater than the cost of living. Each time the cost of living goes up another 3%, the basic-benefit table for Social Security will be rewritten to bring the benefits up to date. In addition, as people earn higher wages their benefits will rise also as a result of this so that the combined outcome is more than a cost-of-living increase. Also, the provisions are written in such a way that the Congress will be notified well ahead of the time an automatic benefit increase would take place so that, if desired, it can intervene to provide a somewhat higher level of increase. (In my judgment it is quite unthinkable that Congress would intervene to prevent at least a cost-of-living increase from taking place.) Thus, the system has been made more than inflation-proof. The program has an automatic provision for more than a cost-of-living increase for the contributor and at least a minimum guarantee of keeping up to date with prices for those receiving benefits.

Equally important, the automatic provisions guarantee that as wages rise in the future higher earnings will be used as the basis of Social Security benefits. People will pay on the basis of the higher wages, but they will also get benefits related to their higher wages. And these automatic provisions apply, in addition, to an ad hoc increase in the amount of earnings counted for Social Security that is substantially larger than at any time in the past.

At the beginning of the program the full wages of nearly all earners were counted for Social Security purposes. More than 95% of those employed in covered occupations in 1937 had their full earnings included. But since 1950 only about 75% of the workers have had their full earnings covered. Now the earnings base has gone to $10,800 in 1973 and $12,600 in 1974. With the $12,600 base, about 85% of all workers will have their full earnings covered for Social Security and then this proportion will be maintained automatically into the future. This automatic provision is important in maintaining the adequacy of the Social Security program for workers with average and somewhat-above-average earnings and for maintaining the financial base of the total program.

One final point about the cash-benefit part of the new Social Security program: the program is financed at a rate that remains approximately level from 1973 until the year 2010. As long as the earnings base goes up as income rises, as provided in the law, this rate is approximately sufficient to provide for the benefit levels now being paid and the increases that arise from the automatic provisions in the law.

Perhaps a good way to summarize the changes in the cash-benefit part of the Social Security program is to compare a few average benefit figures before and after the enactment of the recent legislation and then show what benefits are estimated for the same groups in 1978. Before the amendments of 1972, the average benefit for a retired couple was $225 per month. It is now $273 per month, and by 1978 it is expected to be about $340 per month. For an aged widow the comparable figures are $115, $156, and $191.

By 1978, a worker alone: that is, without counting the wife's benefits, who has been earning the federal minimum wage of \$3,328, will get about \$190 a month, or slightly more than two thirds of what he had been earning in the last year before retirement. The average male worker who will earn an average of about \$9,000 before retirement will get about 40% of that wage, or \$295. The maximum earner who, just before retirement in 1978, will be getting \$14,100, will get more than 30%, or \$368 a month.

But the cash-benefit changes are only one part of the new Social Security program. Medicare has been extended to cover the permanently and totally disabled beneficiaries who have been receiving cash benefits for two years or more—the first time Medicare has been extended to people below 65. In addition, protection against the cost of kidney dialysis and kidney transplantation has been extended to the entire working population and their dependents as well as to beneficiaries of Social Security. The nursing-home or extended-care benefit has also been significantly improved. There are some 60 changes in the Medicare program, including many important changes that provide for additional cost control.

Also very important for the Medicare program, recent amendments have restored the financial soundness of the hospital-insurance part of the plan. In fact, nearly half the increase in contributions this year are for this purpose, since the hospital-insurance program was seriously underfinanced under the old law.

But perhaps the biggest change of all in H.R.1 is the establishment for the first time in the United States of a 100% federally-financed, federally-administered assistance program—the new Supplemental Security Income Program for the aged, blind, and disabled. First let me say something about why the administration recommended and the Congress approved this fundamental change in traditional federal-state responsibilities and in the way assistance and relief have been handled in this country from colonial times.

In my opinion, the major reason favoring the establishment of a federal program of this kind is to improve the adequacy of care for older people, the blind, and disabled. There are now many states where eligibility standards allow a lower income than the \$130 a month for a single person and \$195 a month per couple provided for by the new federal programs. Equally important, many state programs contain provisions that prevent many older people who would otherwise be eligible from applying for the payment. For example, many states have lien laws which allow older people to occupy their homes as long as they live but require that the home be signed over to the state so that the state can recover any assistance that it paid to the individual during his lifetime. Many older people just will not take assistance under these circumstances since they want to leave whatever property they have to their children. Also, many states examine not only the income and assets of the applicant but the income and assets of legally responsible relatives before they make payments to the older or disabled person, and many individuals do not want to involve their relatives in a determination of need. The federal program does not have these types of restrictions. Because of this and because it will be administered through the same machinery as Social Security, it is expected that there will be much less stigma, if any, attached to the receipt of Supplemental Security Income.

It makes sense for the federal government to pay the same amount to each person in need and then, if states want to supplement this amount, allow them to do so. As arranged now, under the principle of the matching formula, the federal-government payment depends in part on what the state pays. Incidentally, in a state that wants to supplement the federal amount the program will be administered as a single program if the state wishes, rather than in two parts—one by the Social Security Administration and one by the state.

The final reason for the establishment of this program is that in the future at least 90% of those who will be receiving assistance for the aged would be Social Security beneficiaries in any event. For this reason and because Social Security is a national program with a high degree of automation, it is considered more efficient and economical for the program to be administered by Social Security. This new program will be very large. It means not only that 3.3 million blind, disabled, and aged people who will be getting help from the states in January 1974 will get checks from the federal government, but it is also expected that about 2.8 million additional persons will be made newly eligible.

Social Security has been a model of effective government at a time when institutions generally have been under attack and when it has been popular to act as if practically nothing is working well. This has been accomplished in part because it is a well-conceived program based upon sound and popular principles, but also because it has been administered by career employees concerned about the people dependent on the program. It has done a tremendous amount of good in keeping millions of people out of poverty and in providing economic security for millions more.

It is now a much better program than it has ever been and I am sure it will be still further improved in the years ahead.